



Orders and approved methodology. The resultant change in avoided cost rates is a simple arithmetic calculation. The new forecast includes a new starting gas price and fuel escalation rate.

Idaho Power and Avista accept Staff's avoided cost calculations as accurately incorporating the Council's December 29, 2008, revised natural gas price forecasts and as consistent with the Commission's approved SAR methodology.

PacifiCorp in its comments believes that the Council's medium natural gas price curve yields a price that is too high, and is not a true reflection of current gas costs. The Council's price forecast includes five different levels to capture a range of possible outcomes (low, medium-low, medium, medium-high, and high). Citing the Council's description of its low case forecasts, current market "sign posts," and current market forwards, PacifiCorp believes that the Council's low and medium-low price forecasts are a better indicator of current market conditions than the medium case.

PacifiCorp requests that a technical conference be conducted to allow the parties to revisit the existing avoided cost methodology and come up with a solution in light of the current economic forecast. PacifiCorp suggests that the Commission consider updating the price forecast after conditions have become more stable. At a minimum, PacifiCorp requests that the Commission postpone approval of the gas curve component of published avoided cost rates until the Council's draft fuel prices become final.

PacifiCorp states it has received six wind QF project requests totaling 235 MW since January 26, 2009. All of these projects are off-system QFs with scheduled deliveries into an already transmission-constrained area. PacifiCorp reminds the Commission that based on the multi-state Revised Protocol agreement, costs associated with new QF contracts which exceed the costs PacifiCorp would have otherwise incurred acquiring comparable resources will be assigned directly to the state approving those contracts. Case No. PAC-E-02-3, Order No. 29708.

### ***Commission Findings***

The Commission has reviewed the filings of record in Case No. GNR-E-09-01 including the comments and recommendations of Idaho Power, PacifiCorp and Avista. We have also reviewed and considered the related comments of Black Canyon LLC and Idaho Windfarms

LLC recommending approval, the underlying Idaho SAR avoided cost methodology, and the Council's December 29, 2008, natural gas price forecast for its Sixth Power Plan.

Presented in this case for Commission approval under existing methodology are revised published avoided cost rates incorporating the Council's December 29, 2008 medium case (east-side delivered) natural gas price forecast (Draft Fuel Prices for the Sixth Power Plan). PacifiCorp contends that use of the Council's medium natural gas price curves results in avoided prices that are too high. PacifiCorp recommends that a technical conference be held to determine the continued reasonableness of the published rate avoided cost methodology. Under the present methodology, rates are changed when the Council issues a new gas price forecast. The calculation of the fuel cost adjustment to published avoided cost rates is arithmetic. PacifiCorp recommends that there be no change until the Council's draft fuel prices become final.

A contemporaneous avoided cost filing before the Commission is Case No. GNR-E-08-02, a Petition seeking Commission approval of a Stipulation proposing changes in generic non-fuel-related Surrogate Avoided Resource (SAR) variables. Petitioners in that case recommended that the generic non-fuel-related values of published rates be implemented at the same time the Commission approves new fuel-related avoided cost components based on the Council's median forecast of natural gas prices. In Order No. 30738 we approved changes in the generic non-fuel cost variables to the SAR methodology. We incorporate those changes in our calculation of the resultant rates in this case. Also incorporated in the revised rates is a utility-specific change in Idaho Power's weighted cost of capital as a result of Order No. 30722 in Idaho Power's recent general rate case.

We addressed PacifiCorp's procedural recommendations in Case No. GNR-E-08-02, Order No. 30738. In that case we denied the relief requested by PacifiCorp stating:

The question as to reasonableness of rates needs to be based on a foundation and supported by evidence. A single point in time 12-year price strip from the New York Mercantile Exchange (NYMEX) for Henry Hub is not justification for the relief requested by PacifiCorp nor reason to find that published rates for 20-year contracts calculated under our approved methodology no longer represent the utility's avoided costs. The record in this case, we find, does not support the changes in the SAR avoided cost methodology or published rate eligibility cap recommended by PacifiCorp. Nor does PacifiCorp present a persuasive and compelling reason to defer Commission decision regarding a change in the published rates until a record can be built. The uncertainty that would result from granting the relief requested by PacifiCorp is justification

and reason to proceed in a prudent and judicious manner and to require a greater offering of proof than anecdotal evidence.

Order No. 30738, p. 6.

Our reasoning in Case No. GNR-E-08-02 carries forward into this case where PacifiCorp presents the same arguments. Regarding potential QF projects and scheduled deliveries to PacifiCorp into transmission-constrained areas, we note that this is not an entirely novel issue of the “first impression.” Reference Case No. IPC-E-06-21, Order No. 30414. Also meriting mention, in Case No. GNR-E-08-02, the Commission apprised both utilities and QFs that under the Commission’s Rules of Procedure, should any party believe that a prima facie case can be made that the existing SAR methodology no longer produces reasonable avoided cost rates, a petition could be filed by such party proposing a change.

The Commission in this case finds it reasonable to approve a change in the fuel-cost component of published rates under the existing SAR methodology. We find the resultant change in avoided cost rates to be a simple arithmetic calculation. At the same time, we find it reasonable to adjust the published rate for changes in the generic non-fuel variables approved in Order No. 30738<sup>1</sup> and the change in Idaho Power’s weighted cost of capital from 7.852% to 8.180% approved in Order No. 30722. The Commission has reviewed the revised and updated calculation of the avoided cost rates as set forth in the appendices to this Order and finds that they correctly incorporate the identified changes. See Order No. 30744, Appendices A, B, and C. We find it reasonable to approve the avoided cost rates approved in this Order for QF contracts executed on or subsequent to March 16, 2009.

We take notice of the draft nature of the Council’s planning assumptions and fuel forecast and have reasonable confidence that the numbers and values will be used by the Council in its Sixth Power Plan. However, should the numbers and values change appreciably in the Council’s final Sixth Power Plan document we will adjust rates accordingly for prospective QF contracts.

### **CONCLUSIONS OF LAW**

The Idaho Public Utilities Commission has jurisdiction over Idaho Power Company, PacifiCorp dba Rocky Mountain Power and Avista Corporation dba Avista Utilities, electric

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<sup>1</sup> i.e., Heat Rate 7,100; Equivalent Availability Factor 90%; Capital Cost \$1,313 per kW; Variable O&M \$1.77 per MWh; Fixed O&M \$14.57 per kW; O&M Escalation Rate 2.0%; SAR Escalation Rate 1.4%; and General Inflation Rate 2.0%.

utilities, pursuant to the authority and power granted it under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 (PURPA).

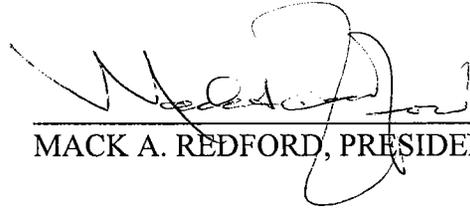
The Commission has authority under PURPA Sections 201 and 210 and the implementing regulations of the Federal Energy Regulatory Commission (FERC), 18 C.F.R. § 292, to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from qualified facilities and to implement FERC rules.

### **ORDER**

In consideration of the foregoing and as more particularly described above IT IS HEREBY ORDERED and the Commission hereby approves changes in the published avoided cost rates incorporating (1) the Northwest Power and Conservation Council's December 29, 2008 medium case (east-side delivered) natural gas price forecast (Draft Fuel Prices for the Sixth Power Plan), (2) the generic non-fuel variable changes approved in Case No. GNR-E-08-02, Order No. 30738, and (3) the change in Idaho Power's weighted cost of capital approved in Order No. 30722. A schedule of new rates accompanies this Order for an authorized effective date of March 16, 2009.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 12<sup>th</sup>  
day of March 2009.

  
MACK A. REDFORD, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
JIM D. KEMPTON, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

bls/O:GNR-E-09-01\_sw

**AVISTA**  
**AVOIDED COST RATES FOR NON-FUELED PROJECTS**  
**SMALLER THAN TEN MEGAWATTS**  
**March 16, 2009**  
**\$/MWh**

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2009	2010	2011	2012	2013	2014		
1	76.47	75.56	77.68	79.96	81.86	83.81	2009	76.47
2	76.04	76.58	78.78	80.88	82.80	84.77	2010	75.56
3	76.54	77.62	79.72	81.78	83.72	85.75	2011	77.68
4	77.30	78.55	80.62	82.67	84.66	86.70	2012	79.96
5	78.07	79.44	81.50	83.56	85.57	87.64	2013	81.86
6	78.84	80.30	82.37	84.43	86.47	88.57	2014	83.81
7	79.61	81.15	83.22	85.30	87.36	89.47	2015	85.81
8	80.38	81.97	84.06	86.15	88.23	90.36	2016	87.96
9	81.14	82.78	84.88	86.99	89.08	91.23	2017	90.04
10	81.90	83.57	85.68	87.80	89.91	92.08	2018	92.30
11	82.64	84.35	86.47	88.60	90.73	92.91	2019	94.50
12	83.36	85.10	87.23	89.38	91.53	93.73	2020	96.74
13	84.07	85.84	87.98	90.15	92.31	94.55	2021	99.05
14	84.76	86.56	88.72	90.89	93.10	95.38	2022	101.41
15	85.44	87.26	89.43	91.64	93.88	96.20	2023	103.84
16	86.10	87.95	90.15	92.39	94.66	97.01	2024	106.32
17	86.75	88.63	90.86	93.13	95.44	97.82	2025	108.86
18	87.39	89.31	91.56	93.87	96.20	98.60	2026	111.97
19	88.03	89.98	92.26	94.59	96.94	99.36	2027	115.16
20	88.67	90.64	92.95	95.29	97.66	100.10	2028	118.46
							2029	121.86
							2030	125.36
							2031	128.19
							2032	131.63
							2033	135.17
							2034	138.81

Note: The rates shown in this table have been computed using the Northwest Power and Conservation Council's December 29, 2008 Fuel Price Forecast. (See Order No. 30480).

**AVISTA**  
**AVOIDED COST RATES FOR FUELED PROJECTS**  
**SMALLER THAN TEN MEGAWATTS**  
**March 16, 2009**  
\$/MWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2009	2010	2011	2012	2013	2014		
1	15.11	15.46	15.82	16.18	16.56	16.94	2009	13.33
2	15.28	15.63	15.99	16.36	16.74	17.13	2010	13.68
3	15.45	15.80	16.17	16.54	16.92	17.31	2011	14.04
4	15.61	15.97	16.34	16.72	17.10	17.50	2012	14.40
5	15.77	16.13	16.51	16.89	17.28	17.68	2013	14.78
6	15.93	16.29	16.67	17.06	17.45	17.85	2014	15.16
7	16.08	16.45	16.83	17.22	17.62	18.03	2015	15.55
8	16.24	16.61	16.99	17.39	17.79	18.20	2016	15.95
9	16.39	16.76	17.15	17.55	17.95	18.37	2017	16.36
10	16.53	16.91	17.31	17.71	18.12	18.53	2018	16.78
11	16.68	17.06	17.46	17.86	18.27	18.70	2019	17.21
12	16.82	17.21	17.60	18.01	18.43	18.86	2020	17.65
13	16.96	17.35	17.75	18.16	18.58	19.01	2021	18.10
14	17.09	17.49	17.89	18.31	18.73	19.16	2022	18.57
15	17.22	17.62	18.03	18.45	18.88	19.31	2023	19.04
16	17.35	17.76	18.17	18.59	19.02	19.46	2024	19.52
17	17.48	17.88	18.30	18.72	19.16	19.60	2025	20.01
18	17.60	18.01	18.43	18.85	19.29	19.74	2026	20.52
19	17.72	18.13	18.55	18.98	19.42	19.87	2027	21.04
20	17.84	18.25	18.68	19.11	19.55	20.00	2028	21.57
							2029	22.11
							2030	22.67
							2031	23.23
							2032	23.82
							2033	24.41
							2034	25.02

EFFECTIVE DATE	ADJUSTABLE COMPONENT
3/16/2009	55.21

The total avoided cost rate in each year is the sum of the adjustable component and the fixed component from either of the tables above.

Example 1. A 20-year levelized contract with a 2009 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	17.84 + 55.21
2-20	17.84 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2009 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	13.33 + 55.21
2	13.68 + Adjustable component in year 2010
3	14.04 + Adjustable component in year 2011
4	14.40 + Adjustable component in year 2012

Note: The rates shown in this table have been computed using the Northwest Power and Conservation Council's December 29, 2008 Fuel Price Forecast. (See Order No. 30480).

**IDAHO POWER COMPANY**  
**AVOIDED COST RATES FOR NON-FUELED PROJECTS**  
**SMALLER THAN TEN MEGAWATTS**  
**March 16, 2009**  
\$/MWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2009	2010	2011	2012	2013	2014		
1	76.56	75.65	77.77	80.05	81.95	83.90	2009	76.56
2	76.12	76.67	78.86	80.96	82.89	84.86	2010	75.65
3	76.63	77.71	79.81	81.87	83.82	85.84	2011	77.77
4	77.38	78.65	80.72	82.76	84.75	86.79	2012	80.05
5	78.16	79.54	81.60	83.66	85.67	87.75	2013	81.95
6	78.94	80.40	82.47	84.54	86.58	88.67	2014	83.90
7	79.72	81.26	83.33	85.41	87.47	89.59	2015	85.90
8	80.49	82.08	84.18	86.27	88.35	90.48	2016	88.05
9	81.26	82.90	85.00	87.11	89.21	91.36	2017	90.14
10	82.02	83.70	85.81	87.94	90.05	92.22	2018	92.40
11	82.77	84.49	86.61	88.74	90.88	93.06	2019	94.59
12	83.50	85.25	87.38	89.54	91.69	93.89	2020	96.84
13	84.22	86.00	88.15	90.31	92.48	94.73	2021	99.15
14	84.93	86.73	88.89	91.07	93.28	95.56	2022	101.51
15	85.62	87.44	89.62	91.84	94.08	96.40	2023	103.94
16	86.29	88.14	90.35	92.60	94.87	97.23	2024	106.42
17	86.96	88.84	91.08	93.35	95.66	98.05	2025	108.97
18	87.61	89.53	91.80	94.10	96.45	98.85	2026	112.07
19	88.27	90.22	92.51	94.85	97.20	99.63	2027	115.27
20	88.92	90.90	93.22	95.56	97.94	100.39	2028	118.57
							2029	121.97
							2030	125.47
							2031	128.31
							2032	131.75
							2033	135.29
							2034	138.93

Note: The rates shown in this table have been computed using the Northwest Power and Conservation Council's December 29, 2008 Fuel Price Forecast. (See Order No. 30480). These rates also reflect a change in Idaho Power's weighted cost of capital as a result of Order No. 30722 in the Company's recent general rate case.

**IDAHO POWER COMPANY  
 AVOIDED COST RATES FOR FUELED PROJECTS  
 SMALLER THAN TEN MEGAWATTS  
 March 16, 2009  
 \$/MWh**

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2009	2010	2011	2012	2013	2014		
1	15.15	15.50	15.86	16.22	16.60	16.98	2009	13.37
2	15.32	15.67	16.03	16.40	16.78	17.17	2010	13.72
3	15.48	15.84	16.21	16.58	16.96	17.36	2011	14.08
4	15.65	16.01	16.38	16.76	17.14	17.54	2012	14.44
5	15.81	16.17	16.55	16.93	17.32	17.72	2013	14.82
6	15.97	16.34	16.71	17.10	17.50	17.90	2014	15.20
7	16.12	16.50	16.88	17.27	17.67	18.08	2015	15.59
8	16.28	16.65	17.04	17.43	17.84	18.25	2016	16.00
9	16.43	16.81	17.20	17.60	18.00	18.42	2017	16.41
10	16.58	16.96	17.35	17.76	18.17	18.59	2018	16.83
11	16.73	17.11	17.51	17.91	18.33	18.75	2019	17.26
12	16.87	17.26	17.66	18.07	18.48	18.91	2020	17.70
13	17.01	17.40	17.81	18.22	18.64	19.07	2021	18.15
14	17.15	17.54	17.95	18.37	18.79	19.23	2022	18.61
15	17.28	17.68	18.09	18.51	18.94	19.38	2023	19.09
16	17.41	17.82	18.23	18.65	19.08	19.53	2024	19.57
17	17.54	17.95	18.37	18.79	19.23	19.67	2025	20.06
18	17.67	18.08	18.50	18.93	19.36	19.81	2026	20.57
19	17.79	18.21	18.63	19.06	19.50	19.95	2027	21.09
20	17.91	18.33	18.75	19.19	19.63	20.09	2028	21.62
							2029	22.17
							2030	22.72
							2031	23.29
							2032	23.87
							2033	24.47
							2034	25.08

EFFECTIVE DATE	ADJUSTABLE COMPONENT
3/16/2009	55.21

The total avoided cost rate in each year is the sum of the adjustable component and the fixed component from either of the tables above.

Example 1. A 20-year levelized contract with a 2009 on-line date would receive the following rates:

Years	Rate
1	17.91 + 55.21
2-20	17.91 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2009 on-line date would receive the following rates:

Years	Rate
1	13.37 + 55.21
2	13.72 + Adjustable component in year 2010
3	14.08 + Adjustable component in year 2011
4	14.44 + Adjustable component in year 2012

Note: The rates shown in this table have been computed using the Northwest Power and Conservation Council's December 29, 2008 Fuel Price Forecast. (See Order No. 30480). These rates also reflect a change in Idaho Power's weighted cost of capital as a result of Order No. 30722 in the Company's recent general rate case.

**PACIFICORP**  
**AVOIDED COST RATES FOR NON-FUELED PROJECTS**  
**SMALLER THAN TEN MEGAWATTS**  
**March 16, 2009**  
\$/MWh

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2009	2010	2011	2012	2013	2014		
1	76.73	75.83	77.95	80.24	82.14	84.09	2009	76.73
2	76.30	76.85	79.05	81.15	83.08	85.05	2010	75.83
3	76.81	77.89	80.00	82.05	84.00	86.03	2011	77.95
4	77.56	78.83	80.90	82.95	84.94	86.99	2012	80.24
5	78.34	79.72	81.78	83.85	85.86	87.94	2013	82.14
6	79.12	80.58	82.66	84.72	86.77	88.87	2014	84.09
7	79.89	81.44	83.51	85.60	87.66	89.78	2015	86.09
8	80.67	82.26	84.36	86.46	88.54	90.67	2016	88.25
9	81.44	83.08	85.18	87.30	89.39	91.54	2017	90.34
10	82.20	83.88	85.99	88.12	90.23	92.40	2018	92.60
11	82.94	84.66	86.78	88.92	91.06	93.25	2019	94.80
12	83.68	85.42	87.56	89.71	91.87	94.07	2020	97.05
13	84.39	86.17	88.32	90.49	92.66	94.91	2021	99.36
14	85.09	86.90	89.06	91.24	93.45	95.74	2022	101.73
15	85.78	87.61	89.79	92.00	94.25	96.57	2023	104.15
16	86.45	88.30	90.51	92.76	95.04	97.40	2024	106.64
17	87.11	89.00	91.23	93.51	95.83	98.22	2025	109.19
18	87.77	89.69	91.95	94.26	96.60	99.01	2026	112.30
19	88.42	90.37	92.66	95.00	97.35	99.78	2027	115.50
20	89.06	91.05	93.36	95.71	98.09	100.54	2028	118.80
							2029	122.20
							2030	125.71
							2031	128.55
							2032	131.99
							2033	135.54
							2034	139.18

Notes: (1) The rates shown in this table have been computed using the Northwest Power and Conservation Council's December 29, 2008 Fuel Price Forecast. (See Order No. 30480). (2) The rates shown in this table have been computed using the weighted average cost of capital from PacifiCorp's most recent general rate case. (See Order No. 30482).

**PACIFICORP**  
**AVOIDED COST RATES FOR FUELED PROJECTS**  
**SMALLER THAN TEN MEGAWATTS**  
**March 16, 2009**  
**\$/MWh**

LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2009	2010	2011	2012	2013	2014		
1	15.25	15.60	15.96	16.33	16.71	17.10	2009	13.47
2	15.42	15.78	16.14	16.51	16.89	17.29	2010	13.82
3	15.59	15.95	16.32	16.69	17.08	17.47	2011	14.18
4	15.75	16.12	16.49	16.87	17.26	17.66	2012	14.55
5	15.91	16.28	16.66	17.04	17.44	17.84	2013	14.93
6	16.07	16.45	16.83	17.21	17.61	18.02	2014	15.32
7	16.23	16.61	16.99	17.38	17.78	18.20	2015	15.71
8	16.39	16.77	17.15	17.55	17.95	18.37	2016	16.11
9	16.54	16.92	17.31	17.71	18.12	18.54	2017	16.53
10	16.69	17.07	17.47	17.87	18.29	18.71	2018	16.95
11	16.84	17.22	17.62	18.03	18.45	18.87	2019	17.39
12	16.98	17.37	17.77	18.18	18.60	19.03	2020	17.83
13	17.12	17.52	17.92	18.33	18.76	19.19	2021	18.28
14	17.26	17.66	18.07	18.48	18.91	19.35	2022	18.75
15	17.39	17.80	18.21	18.63	19.06	19.50	2023	19.22
16	17.53	17.93	18.34	18.77	19.20	19.65	2024	19.71
17	17.65	18.06	18.48	18.91	19.35	19.79	2025	20.21
18	17.78	18.19	18.61	19.04	19.48	19.93	2026	20.72
19	17.90	18.32	18.74	19.17	19.62	20.07	2027	21.24
20	18.02	18.44	18.87	19.30	19.75	20.21	2028	21.77
							2029	22.32
							2030	22.88
							2031	23.45
							2032	24.04
							2033	24.64
							2034	25.26

EFFECTIVE DATE

ADJUSTABLE COMPONENT

3/16/2009

55.21

The total avoided cost rate in each year is the sum of the adjustable component and the fixed component from either of the tables above.

Example 1. A 20-year levelized contract with a 2009 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	18.02 + 55.21
2-20	18.02 + Adjustable component in each year

Example 2. A 4-year non-levelized contract with a 2009 on-line date would receive the following rates:

<u>Years</u>	<u>Rate</u>
1	13.47 + 55.21
2	13.82 + Adjustable component in year 2009
3	14.18 + Adjustable component in year 2010
4	14.55 + Adjustable component in year 2011

Notes: (1) The rates shown in this table have been computed using the Northwest Power and Conservation Council's December 29, 2008 Fuel Price Forecast. (See Order No. 30480). (2) The rates shown in this table have been computed using the weighted average cost of capital from PacifiCorp's most recent general rate case. (See Order No. 30482).